Michigan Deptartment of Treasury 496 (2-04)

Auditing I ssued under P.A. 2 of 1			s Kepo	ort ————						
Local Government Typ  City Tov	e ynship	o ∐Village	Other	Local Governme	ent Name DOWAGIAC			CA	nty SS	
Audit Date										
We have audited accordance with financial Statemen	he S	tatements of	the Govern	mental Accou	unting Standards	Board (G	ASB) and th	e Uniform	n Repo	, ,
We affirm that:	_ 4:4 .	with the Delle	dia familia As		Unite of Oncome					
We have com						ent in iviich	iigan as revise	ea.		
2. We are certified	·		•	•	•				,	
We further affirm to comments and rec			responses h	iave been disc	closed in the fina	ncial staten	nents, includir	ng the not	es, or in	the report of
You must check the	e app	licable box fo	r each item b	pelow.						
Yes 🗸 No	1.	Certain com	ponent units/	/funds/agencie	es of the local un	it are exclu	ded from the	financial	stateme	nts.
Yes No	2.	There are a 275 of 1980)		deficits in one	e or more of this	unit's unre	eserved fund	balances/	retained	l earnings (P.A.
Yes 🗸 No	3.	There are in amended).	nstances of	non-complian	ce with the Unit	orm Accou	inting and Bu	idgeting A	Act (P.A	. 2 of 1968, as
Yes 🗸 No	4.				itions of either a			the Munic	ipal Fin	ance Act or its
Yes 🗸 No	5.				ents which do n of 1982, as ame		-	requirem	ents. (F	P.A. 20 of 1943,
Yes 🕢 No	6.	The local un	it has been o	delinquent in d	listributing tax re	venues that	t were collecte	ed for ano	ther tax	ring unit.
Yes 🗸 No	7.	pension ben	efits (norma	I costs) in the	titutional requirer current year. If requirement, no	the plan is	more than 1	00% fund	led and	the overfunding
Yes 🗸 No	8.	The local un (MCL 129.24		dit cards and	has not adopte	d an appli	cable policy a	as require	d by P.	A. 266 of 1995
Yes 🗸 No	9.	The local un	it has not ad	opted an inve	stment policy as	required by	P.A. 196 of	1997 (MC	L 129.9	5).
We have enclose	d the	following					Enclosed	To Forwa		Not Required
The letter of com			endations.				✓ ✓	TOWE	i ded	required
Reports on individ	lual fe	ederal financia	al assistance	programs (pr	rogram audits).			-		✓
Single Audit Repo	orts (A	ASLGU).					· ·			✓
Certified Public Accou		,	PAS							
Street Address 60 HARROW LANE City SAGINAW State 48638										
Accountant Signature	es.	rriehe	O. Hur.	houn	u			Date 7	30	0

## **CITY OF DOWAGIAC**

Cass County, Michigan

## FINANCIAL STATEMENTS

September 30, 2005

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60 Harrow Lane Saginaw, Michigan 48603

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of City Council City of Dowagiac, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Dowagiac, Michigan as of and for the year ended September 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Dowagiac's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Dowagiac, Michigan, as of September 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 2, 2005, on our consideration of the City of Dowagiac's, internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. This report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dowagiac's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be part of, the basic financial statements.

November 2, 2005

Berthiaume of Co.



## STATEMENT OF NET ASSETS

September 30, 2005

	Pri	Primary Government				
	Governmental	Business-type		Component		
	Activities	Activities	Total	Units		
Assets:						
Cash and cash equivalents	\$ 1,681,151	\$ 1,345,976	\$ 3,027,127	\$ 26,892		
Investments	2,191,618	1,730,585	3,922,203	- -		
Receivables	1,050,648	1,751,239	2,801,887	127,671		
Inventory	8,900	179,947	188,847	_		
Prepaid items and other assets	97,084	64,375	161,459	457,452		
Restricted cash and cash equivalents	-	111,569	111,569	-		
Restricted investments	-	755,951	755,951	-		
Capital assets:						
Nondepreciable capital assets	2,698,903	66,451	2,765,354	-		
Depreciable capital assets, net	3,004,012	9,051,572	12,055,584			
Total assets	10,732,316	15,057,665	25,789,981	612,015		
Liabilities:						
Accounts payable and accrued expenses	373,515	566,756	940,271	314,175		
Deferred revenue	1,467,075	1,200	1,468,275	62,075		
Long-term liabilities:						
Due within one year	134,688	65,000	199,688	95,000		
Due in more than one year	3,007,522	1,806,256	4,813,778	450,629		
Total liabilities	4,982,800	2,439,212	7,422,012	921,879		
Net assets:						
Invested in capital assets, net of related debt	2,990,501	7,398,023	10,388,524	_		
Restricted for:	,,	.,,-	- , ,-			
Debt service	69,452	111,569	181,021	-		
Streets	102,484	- -	102,484	-		
Nonexpendable cemetery principal	703,760	-	703,760	_		
Replacement of capital assets	-	1,186,041	1,186,041	-		
Unrestricted	1,883,319	3,922,820	5,806,139	(309,864)		
Total net assets	\$ 5,749,516	\$ 12,618,453	\$ 18,367,969	\$ (309,864)		

## STATEMENT OF ACTIVITIES

Year Ended September 30, 2005

			Program Revenues							
		Expenses	(	Charges for Services	G	Operating Frants and Intributions	G	Capital rants and ntributions		Net (Expense) Revenue
Functions/Programs PRIMARY GOVERNMENT:										
Governmental activities:										
General government	\$	1,471,378	\$	547,143	\$	6,238	\$	_	\$	(917,997)
Public safety	Ψ	1,900,432	Ψ	253,489	Ψ	7,350	Ψ	40,435	Ψ	(1,599,158)
Public works		1,110,219		237,038		345,478		-		(527,703)
Community and economic development		523,692		202,319		304,527		_		(16,846)
Recreation and culture		62,865		118,904		-		_		56,039
Interest on long-term debt		177,710						-		(177,710)
Total governmental activities	_	5,246,296	_	1,358,893	_	663,593		40,435		(3,183,375)
Business-type activities:										
Electric		5,081,655		5,502,327		-		-		420,672
Sewer		1,334,672		1,153,612		-		-		(181,060)
Water		537,631		617,334		-		-		79,703
Dart	_	203,293	_	16,597		83,122			_	(103,574)
Total business-type activities		7,157,251	_	7,289,870		83,122				215,741
Total primary government	\$	12,403,547	\$	8,648,763	\$	746,715	\$	40,435	\$	(2,967,634)
COMPONENT UNITS:										
Downtown development authority Local development finance authority	\$	174,658	\$	34,303 36	\$	- -	\$	-	\$	(140,355) 36
Total component units	\$	174,658	\$	34,339	\$	_	\$		\$	140,319

continued

	Primary Government							
	Business-							
	Go	vernmental	type Activities		Total		C	omponent
		Activities					Units	
Changes in net assets								
Net (Expense) Revenue	\$	3,183,375	\$ 215,7	<u>41</u>	<u>\$</u>	2,967,634	<u>\$</u>	140,319
General revenues:								
Taxes:								
Property taxes, levied for general purpose		1,249,571	43,5	47		1,293,118		-
Property taxes, levied for solid waste disposal		114,524	-			114,524		-
Property taxes, captured by component units		-	-			-		178,356
Payment in lieu of property taxes		272,127	-			272,127		-
Franchise taxes		42,034	-			42,034		-
Grants and contributions not restricted to								
specific programs		778,083	-			778,083		-
Unrestricted investment earnings		175,919	115,3	72		291,291		5,340
Contributions to principal of permanent funds		28,600	-			28,600		-
Special item - Gain on sale of capital asset		65,989	-			65,989		-
Transfers		304,708	(395,5	<u>25</u> )		(90,817)		90,817
Total general revenues, contributions,								
special items,and transfers		3,031,555	(236,6	06)		2,794,949		274,513
Change in net assets		(151,820)	(20,8	65)		(172,685)		134,194
Net assets, beginning of year		5,901,336	12,639,3	18		18,540,654	_	(444,058)
Net assets, end of year	\$	5,749,516	\$ 12,618,4	<u>53</u>	\$	18,367,969	\$	(309,864)

## GOVERNMENTAL FUNDS

## **BALANCE SHEET**

September 30, 2005

	General Fund		Major Street Fund		Local Street Fund	I	Aunicipal Facilities/ provements Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:									
Cash and cash equivalents	\$ 1,187,070	\$	63,768	\$	19,189	\$	-	\$ 330,932	\$ 1,600,959
Investments	614,937		78,298		28,845		301,940	604,940	1,628,960
Taxes receivable	197,329		-		-		-	-	197,329
Accounts receivable	33,513		75		-		-	-	33,588
Notes receivable	-		-		-		272,299	230,473	502,772
Interest receivable	10,186		476		323		2,813	4,341	18,139
Due from other									
governmental units	158,202		56,571		19,915		-	_	234,688
Prepaid expenditures	78,034		3,362		2,781		-	2,364	86,541
Land held for development	´-		-		´-		_	8,900	8,900
Advance to component								,	-,,
unit		_				_		37,563	37,563
Total assets	\$ 2,279,271	\$	202,550	\$	71,053	\$	577,052	\$ 1,219,513	\$ 4,349,439
Liabilities and Fund Balan	ices:								
Liabilities:									
Accounts payable	41,424		159,695		5,692		878	1,398	209,087
Accrued expenses	45,465		5,063		669		7	2,962	54,166
Due to component units	62,075		-		-		-	-	62,075
Deposits payable	340		-		-		1,300	-	1,640
Deferred revenue	1,502,518	_		_		_	272,299	180,973	1,955,790
Total liabilities	1,651,822	-	164,758	-	6,361		274,484	185,333	2,282,758
Fund balances:									
Reserved for:									
Prepaid expenditures	78,034		3,362		2,781		-	2,364	86,541
Nonexpendable cemetery principal	-		_		-		-	703,760	703,760
Unreserved:									
Designated, reported in:									
General fund	12,618		-		-		-	-	12,618
Undesignated, reported in:									
General fund	536,797		-		-		-	-	536,797
Special revenue funds	-		34,430		61,911		302,568	256,332	655,241
Debt service fund	-		-		-		-	69,452	69,452
Capital projects funds				_		_		2,272	2,272
Total fund balances	627,449		37,792		64,692		302,568	1,034,180	2,066,681
Total liabilities and									
fund balances	\$ 2,279,271	\$	202,550	\$	71,053	\$	577,052	\$ 1,219,513	\$ 4,349,439

## RECONCILIATION OF FUND BALANCES OF THE GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

Year Ended September 30, 2005

Total fund balances for governmental funds		\$ 2,066,681
Total net assets reported for governmental activities in the statement of of net assets is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Governmental capital assets	5,123,681	
Less accumulated depreciation	(613,938)	4,509,743
Interest payable in the governmental activities are not payable from current resources and therefore are not reported in the governmental		
funds.		(35,797)
Deferred revenues reported in the governmental funds are recognized as revenues for the governmental activities.		
Property taxes	35,443	
Loans	453,272	488,715
Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds:		
General obligation bond payable	(1,155,000)	
Loans and notes payable	(1,557,414)	
Compensated absences payable	(426,298)	(3,138,712)
The assets and liabilities of internal service funds are included in governmental		
activities in the statement of net assets.		1,858,886
Net assets of governmental activities		\$ 5,749,516

## GOVERNMENTAL FUNDS

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended September 30, 2005

	General Fund	Major Street Fund	Local Street Fund	Municipal Facilities/ Improvements Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
Property taxes	\$ 1,569,142	\$ -	\$ -	\$ -	\$ 114,524	\$1,683,666
Licenses and permits	106,280	_	-	-	-	106,280
Federal grants	40,435	-	-	-	-	40,435
State grants	784,032	345,478	142,707	-	304,527	1,576,744
Contributions from other units	168,830	-	-	-	-	168,830
Charges from services	525,440	-	-	-	774	526,214
Fines and forfeits	7,206	-	-	-	13,896	21,102
Interest and rents	93,434	5,177	1,879	69,737	44,855	215,082
Other revenue	23,800	183		9,194	402,583	435,760
Total revenues	3,318,599	350,838	144,586	78,931	881,159	4,774,113
Expenditures: Current						
General government	912,870	-	-	148,180	-	1,061,050
Public safety	1,318,587	-	-	-	72,928	1,391,515
Public works	50,462	225,800	172,050	-	207,897	656,209
Community and economic	ŕ	,	ŕ		,	,
development	-	-	-	-	526,135	526,135
Recreation and culture	13,000	-	-	-	44,671	57,671
Other	795,826	-	-	-	-	795,826
Capital outlay	36,673	173,995	-	3,173	4,611	218,452
Debt service						
Principal	-	-	-	16,666	127,740	144,406
Interest and charges				1,000	177,728	178,728
Total expenditures	3,127,418	399,795	172,050	169,019	1,161,710	5,029,992
Excess (deficiency) of revenues over expenditures	191,181	(48,957)	(27,464)	(90,088)	(280,551)	(255,879)
Other financing sources (uses)						
Transfers in	-	-	54,000	115,636	208,508	378,144
Transfers out	(251,661)	(110,249)	(524)	(54,620)	(47,018)	(464,072)
Total other financing	(251 661)	(110.240)	52 176	61.016	161 400	(95.029)
sources (uses)	(251,661)	(110,249)	53,476	61,016	161,490	(85,928)
Net change in fund balances	(60,480)	(159,206)	26,012	(29,072)	(119,061)	(341,807)
Fund balances, beginning of year	687,929	196,998	38,680	331,640	1,153,241	2,408,488
Fund balances, end of year	\$ 627,449	\$ 37,792	\$ 64,692	\$ 302,568	\$1,034,180	\$2,066,681

# RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended September 30, 2005

Net change in fund balances - total governmental funds		\$	(341,807)
Total change in net assets reported for governmental activities in the statement of activities is different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.			
Capital outlay	218,452		
Less depreciation expense	(63,565)		154,887
Collection of certain items recorded as deferred revenue are considered current financial resources in the governmental funds. In the statement of activities these items have been recorded as revenue in previous years.			
Personal property taxes	(1,976)		
Notes/Loan procees	(28,164)		(30,140)
Repayments of principal on long-term obligations are expenditures in governmental funds, but the payment reduces long-term liabilities in the statement of net assets.			144,406
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.			
Change in compensated absences payable	(23,348)		
Change in accrued interest on leases and loans payable	1,019		(22,329)
The net revenue (expense) of the internal service fund is reported with governmental activities.			(56,837)
activities.		_	(30,037)
Change in net assets of governmental activities		\$	(151,820)

## STATEMENT OF NET ASSETS

September 30, 2005

		Busi	ness-type Acti	ivities		Governmental Activities
	Moi	or Enterprise I	Zunda	Nonmajor Enterprise Fund		Internal
	Electric Fund	Sewer Fund	Water Fund	Dart Fund	- Total	Service Funds
Assets:						
Current assets:						
Cash and cash equivalents	\$ 697,632	\$ 56,934	\$ 157,968	\$ 3,352	\$ 915,886	\$ 80,192
Investments	-	1,437,570	118,198	174,817	1,730,585	562,658
Accounts receivable	1,137,266	190,129	123,811	272	1,451,478	7,889
Notes receivable	-	-	-	-	-	11,051
Accrued interest receivable	9,433	17,833	913	2,568	30,747	7,629
Due from other governmental units	2,375	-	-	3,033	5,408	-
Inventory	111,197	16,749	52,001	-	179,947	-
Prepaid expenses	24,232	24,949	9,072	6,122	64,375	10,543
Total current assets	1,982,135	1,744,164	461,963	190,164	4,378,426	679,962
Noncurrent assets:						
Restricted cash and cash equivalents	430,090	111,569	_	-	541,659	_
Restricted investments	755,951	-	-	-	755,951	-
Capital assets:						
Nondepreciable capital assets	16,775	47,710	1,966	-	66,451	-
Depreciable capital assets, net	2,919,242	4,128,144	1,968,702	35,484	9,051,572	1,193,172
Advance to component unit		263,606			263,606	
Total noncurrent assets	4,122,058	4,551,029	1,970,668	35,484	10,679,239	1,193,172
Total assets	6,104,193	6,295,193	2,432,631	225,648	15,057,665	1,873,134

continued

## STATEMENT OF NET ASSETS, CONTINUED

September 30, 2005

		Ruci	noss tuno A ot	ivitios		Governmental Activities
	Moż		ness-type Act	Nonmajor Enterprise Fund	Internal	
	Electric	Sewer	Water	Dart		Service
	Fund	Fund	Fund	Fund	Total	Funds
Liabilities:						
Current liabilities:						
Accounts payable	365,777	45,752	7,187	1,883	420,599	10,038
Accrued expenses	8,890	26,122	17,719	1,597	54,328	712
Due to other governmental						
units	-	1,581	-	-	1,581	-
Deposits payable	75,020	-	9,420	-	84,440	-
Other current liabilities	-	5,808	-	-	5,808	-
Deferred revenue	-	-	1,200	-	1,200	-
Current portion of long-term						
debt		43,233	21,767		65,000	
Total current liabilities	449,687	122,496	57,293	3,480	632,956	10,750
Noncurrent liabilities:						
Compensated absences						
payable	72,572	39,776	13,702	25,206	151,256	3,498
Revenue bonds payable	-	1,103,169	551,831	-	1,655,000	-
	72.572			25.206		2.400
Total noncurrent liabilities	72,572	1,142,945	565,533	25,206	1,806,256	3,498
Total liabilities	522,259	1,265,441	622,826	28,686	2,439,212	14,248
Net assets:						
Invested in capital assets,						
net of related debt	2,936,017	3,029,452	1,397,070	35,484	7,398,023	1,193,172
Restricted for:						
Debt service	-	111,569	-	-	111,569	-
Replacement of capital assets	1,186,041	-	-	-	1,186,041	-
Unrestricted	1,459,876	1,888,731	412,735	161,478	3,922,820	665,714
Total net assets	\$5,581,934	\$5,029,752	\$1,809,805	\$ 196,962	\$12,618,453	\$1,858,886

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Year Ended September 30, 2005

		Bu	siness-type Activ	vities		Governmental Activities
		F		Nonmajor Enterprise		
		or Enterprise F		Fund	•	Internal Service
	Electric	Sewer	Water	Dart	Takal	
0 4	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Total</u>	Funds
Operating revenues:	ф. <b>5.415</b> .005	ф. 1.10 <i>с</i> .155	<b>A</b> 554.501	A 15.024	<b>4.5.144.005</b>	Φ.
Charges for services	\$ 5,417,985	\$ 1,136,475	\$ 574,701	\$ 15,834	\$ 7,144,995	\$ -
Penalties	40,316	9,308	7,963	-	57,587	-
Equipment rental	-	-	-	-	-	132,006
Other	44,026	7,829	11,184	763	63,802	6,212
Total operating revenues	5,502,327	1,153,612	593,848	16,597	7,266,384	138,218
Operating expenses:						
Personnel	512,885	340,735	163,409	84,938	1,101,967	42,060
Fringe benefits	190,322	200,549	78,829	47,113	516,813	23,816
Supplies	43,199	67,372	23,407	10,925	144,903	81,852
Property tax equivalents	259,838	_	=	-	259,838	-
Contracted services	109,844	169,603	24,191	5,357	308,995	21,045
Purchase of power	3,399,542	_	-	-	3,399,542	-
Administrative expense	194,320	109,469	76,439	10,167	390,395	13,604
Telephone	4,038	5,720	2,785	1,260	13,803	-
Mileage	5,937	1,680	1,680	-	9,297	-
Dues and membership fees	22,915	_	-	-	22,915	-
Education and training	11,319	410	666	160	12,555	-
Printing and publishing	1,343	-	-	56	1,399	-
Insurance	55,519	41,591	13,009	4,500	114,619	34,026
Utilities	72,475	124,898	40,150	-	237,523	20,478
Repair and maintenance	40,275	62,501	14,842	8,834	126,452	96,849
Equipment rental	-	16,960	-	8,700	25,660	-
Other services and supplies	1,470	253	918	128	2,769	2,074
Depreciation	156,414	131,923	66,782	21,155	376,274	294,721
Total operating expenses	5,081,655	1,273,664	507,107	203,293	7,065,719	630,525
Operating income (loss)	420,672	(120,052)	86,741	(186,696)	200,665	(492,307)

continued

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS, CONTINUED

Year Ended September 30, 2005

		Bus	iness-type Activ	rities		Governmental Activities
	Majo	or Enterprise F	unds	Nonmajor Enterprise Fund		Internal
	Electric	Sewer	Water	Dart		Service
	Fund	Fund	Fund	Fund	Total	Funds
Non-operating						
revenues (expenses):						
Property taxes	_	_	-	43,547	43,547	_
Federal grants	_	_	_	20,104	20,104	_
State grants	_	_	_	63,018	63,018	_
Interest income	42,478	56,199	6,631	10,064	115,372	33,845
Rental income	-	,	23,486		23,486	-
Other revenue	_	_		_	-	10,989
Interest expense		(61,008)	(30,524)		(91,532)	
Total non-operating						
revenues (expenses)	42,478	(4,809)	(407)	136,733	173,995	44,834
Net income (loss) before						
operating transfers	463,150	(124,861)	86,334	(49,963)	374,660	(447,473)
Operating transfers:						
Transfer from other funds	13,701	55,760	-	-	69,461	391,560
Transfer to other funds	(385,937)	(57,630)	(21,419)		(464,986)	(924)
Total operating transfers	(372,236)	(1,870)	(21,419)		(395,525)	390,636
Net income (loss)	90,914	(126,731)	64,915	(49,963)	(20,865)	(56,837)
Net assets, beginning of year	5,491,020	5,156,483	1,744,890	246,925	12,639,318	1,915,723
Net assets, end of year	\$ 5,581,934	\$ 5,029,752	\$ 1,809,805	\$ 196,962	\$ 12,618,453	\$ 1,858,886

## STATEMENT OF CASH FLOWS

Year Ended September 30, 2005

		Bus	iness-type Acti	vities		Governmental Activities
			• • • • • • • • • • • • • • • • • • • •	Nonmajor Enterprise		
		or Enterprise F		Fund		Internal
	Electric Fund	Sewer Fund	Water Fund	Dart Fund	Total	Service Funds
Cook flows from enoughing	runa	<u>r una</u>	Fulld	Funa	10tai	Fullus
Cash flows from operating activities:						
Cash received from customers	\$ 5,508,026	\$ 1,141,951	\$ 667,646	\$ 16,604	\$ 7,334,227	\$ 8,578
Cash received from interfund services	-	-	-	-	-	124,117
Cash payments to employees	(533,106)	(354,240)	(163,614)	(81,766)	(1,132,726)	(42,501)
Cash payments to suppliers for						
goods and services	(4,610,797)	(879,973)	(302,101)	(99,164)	(5,892,035)	(420,572)
Net cash provided (used)						
by operating activities	364,123	(92,262)	201,931	(164,326)	309,466	(330,378)
	<u> </u>					
Cash flows from non-capital financing activities:						
Payment received on advance to						
component unit	-	21,460	-	-	21,460	-
Operating transfers in	13,701	55,760	-	-	69,461	391,560
Operating transfers out	(385,937)	(57,630)	(21,419)		(464,986)	(924)
Net cash provided (used) by non-capital financing						
activities	(372,236)	19,590	(21,419)		(374,065)	390,636
Cash flows from capital and						
related financing activities:				10.515	10.515	
Property taxes	-	-	-	43,547	43,547	-
Federal grants	-	-	-	20,104	20,104	12.550
State grants Acquisition and construction of	-	-	-	63,018	63,018	12,550
capital assets	(651,526)	(195,132)	(24,960)		(871,618)	(116,869)
Principal payments	(031,320)	(43,323)	(21,677)	_	(65,000)	(110,809)
Interest paid	_	(61,008)	(30,524)	_	(91,532)	- -
Net cash provided (used) by capital and related financing activities	(651,526)	(299,463)	(77,161)	126,669	(901,481)	(104,319)
imaneing activities	(031,320)	(277,403)	(77,101)	120,009	(701,401)	(104,317)

continued

## STATEMENT OF CASH FLOWS, CONTINUED

Year Ended September 30, 2005

	Major	r Enterprise Fu	nds	Enterprise	Enterprise		
	Electric Fund	Sewer Fund	Water Fund	Dart Fund	Total	Internal Service Funds	
Cash flows from investing activities:							
Interest received Rent received	42,478	56,199	6,631 23,486	10,064	115,372 23,486	33,845	
Net cash provided (used) by investing activities	42,478	56,199	30,117	10,064	138,858	33,845	
Net increase (decrease) in cash and cash equivalents	(617,161)	(315,936)	133,468	(27,593)	(827,222)	(10,216)	
Cash, cash equivalents, and investments, beginning of year	2,500,834	1,922,009	142,698	205,762	4,771,303	653,066	
Cash, cash equivalents, and investments, end of year	\$ 1,883,673	\$ 1,606,073	S 276,166	<u>\$ 178,169</u>	\$ 3,944,081	\$ 642,850	

continued

## STATEMENT OF CASH FLOWS, CONTINUED

Year Ended September 30, 2005

						•					vernmental
			Bus	ines	s-type Activ		s Jonmajor		-		Activities
							nterprise				
	Maio	or F	enterprise F	und	ls		Fund				Internal
	Electric		Sewer		Water		Dart				Service
	 Fund	_	Fund	_	Fund	_	Fund	_	Total		Funds
Reconciliation of Operating											
Income (Loss) to Net Cash											
Provided (Used) by Operating											
Activities:											
Operating income (loss)	\$ 420,672	\$	(120,052)	\$	86,741	\$	(186,696)	\$	200,665	\$	(492,307)
Adjustments:											
Depreciation	156,414		131,923		66,782		21,155		376,274		294,721
Change in assets and liabilities											
Accounts receivable	10,700		(19,087)		3,690		24		(4,673)		(7,889)
Accrued interest receivable	(3,240)		2,464		90		-		(686)		2,431
Due from other governmental											
units	(1,761)		6,079		68,818		(17)		73,119		(65)
Prepaid expenses	4		(1,365)		(653)		(1,350)		(3,364)		-
Inventory	3,584		(1,470)		2,934		-		5,048		5,210
Accounts payable	7,504		(68,096)		(25,569)		(614)		(86,775)		-
Accrued expenses	3,548		1,748		5,054		702		11,052		(132,038)
Due to other funds	(210,970)		(7,893)		(2,782)		-		(221,645)		233
Deposits payable	1,437		(143)		885		-		2,179		-
Other current liabilities	-		(1,117)		-		-		(1,117)		-
Deferred revenue	-		-		1,200		-		1,200		-
Compensated absences payable	 (23,769)	_	(15,253)		(5,259)	_	2,470		(41,811)	_	(674)
Net cash provided (used) by											
operating activities	\$ 364,123	\$	(92,262)	\$	201,931	\$	(164,326)	\$	309,466	\$	(330,378)

## FIDUCIARY FUNDS

## STATEMENT OF NET ASSETS

September 30, 2005

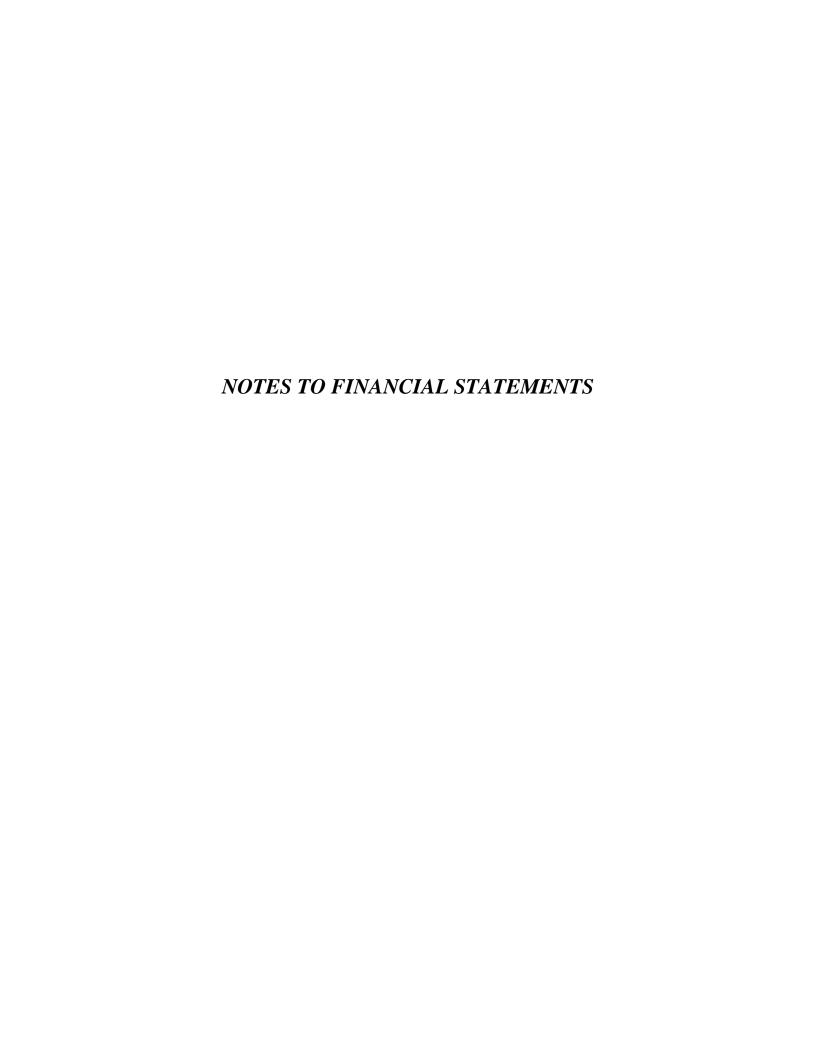
	Retire Health		
	Insurance Fund	Agency Funds	Total
Assets:	Fund	Funds	Total
Cash and cash equivalents	\$ 47,237	\$ 87,614	\$ 134,851
Investments	181,508	-	181,508
Prepaid items and other assets	7,896		7,896
Total assets	236,641	87,614	324,255
Liabilities:			
Accounts payable and accrued expenses	-	11,919	11,919
Due to other governmental units	-	75,695	75,695
Deferred revenue	1,774		1,774
Total liabilities	1,774	87,614	89,388
Net Assets:			
Unrestricted	234,867		234,867
Total net assets	\$ 234,867	\$ -	\$ 234,867

## FIDUCIARY FUNDS

## STATEMENT OF CHANGES IN NET ASSETS

Year Ended September 30, 2005

		Retiree Health Insurance Fund
Additions		
Employee contributions	\$	57,106
Employer contributions		49,616
Investment income		21,732
Total additions	_	128,454
Deductions		
Benefit payments		95,259
Total deductions		95,259
Net increase (decrease)		33,195
Net assets, beginning of year	_	201,672
Net assets, end of year	<u>\$</u>	234,867



## NOTES TO FINANCIAL STATEMENTS

September 30, 2005

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Dowagiac conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

#### **Reporting Entity:**

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the City and its component units. The component units discussed below are included in the City's reporting entity because of their operational or financial relationship with the City.

**Discretely Presented Component Units -** The component units' columns in the combined financial statements include the financial data of the City's two component units. These units are reported in a separate column to emphasize that they are legally separate from the City. The component units are described as follows:

**Downtown Development Authority** - The Downtown Development Authority (DDA) is a separate legal entity. The budgets and expenditures of the DDA are approved by the City Council. The City has the ability to significantly influence operations of the Local Development Finance Authority. The City has backed the DDA's long-term debt.

**Local Development Finance Authority -** The Local Development Finance Authority (LDFA) is a separate legal entity. The budgets and expenditures of the LDFA are approved by the City Council. The City has the ability to significantly influence operations of the Local Development Finance Authority.

**Blended Component Unit** - The transactions of the Dowagiac Municipal Building Authority are included in the funds of the primary government. The purpose of the Building Authority was to finance the construction of the new City Hall in 1997.

The Dowagiac Housing Commission is not a component unit of the City.

#### **Basis of Presentation – Fund Accounting:**

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate.

#### **Basis of Accounting:**

#### GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government and its component units. These statements distinguish between activities that are governmental and those that are business-type activities. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses.

September 30, 2005

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the City's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The City does not allocate indirect costs. In creating the government-wide financial statements the City has eliminated interfund transactions.

The government-wide focus is on the sustainability of the City as an entity and the change in the City's net assets resulting from current year activities.

#### FUND FINANCIAL STATEMENTS

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

September 30, 2005

The City reports the following major governmental funds:

*General Fund* – The General Fund is the primary operating fund of the City. It is used to account for all financial resources, except for those required to accounted for in another fund.

*Major Street Fund* – The Major Street Fund is used to account for the maintenance and construction of the City's major street system.

**Local Street Fund** – The Local Street Fund is used to account for the maintenance and construction of the City's local street system.

**Municipal Facilities/Improvements Fund** – The Municipal Facilities/Improvements Fund is used account for funds that have been earmarked for the maintenance and repairs of the City's buildings and grounds.

The City reports the following major enterprise funds:

*Electric Fund* – The Electric Fund is used to account for the revenues and expenses for the operation of an electric system.

**Sewer Fund** – The Sewer Fund is used to account for the revenues and expenses for the operation of a sewer system.

*Water Fund* – The Water Fund is used to account for the revenues and expenses for the operation of a water system.

#### Assets, Liabilities and Equity:

**Deposits and Investments** – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**Receivables and Payables** – Generally, outstanding amounts owed between funds are classified as "due from/to other funds". These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

**Property Taxes** – Property taxes attach as an enforceable lien on property as of December 31. City taxes are levied on the following July 1 and are due without penalty on or before September 15 with the final collection date of February 28 before they are added to the County tax rolls. City property tax revenues are recognized as revenues in the fiscal year levied to the extent that they are measurable and available.

The 2004 taxable valuation of the City totaled \$89,231,891, on which ad valorem taxes levied consisted of 14.1521 mills for the City's operating purposes, .5000 for D.A.R.T, and 1.3147 for solid waste disposal.

September 30, 2005

*Inventories and Prepaid Expenses* – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid expenses in both the government-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The City defines capital assets as assets with an initial individual cost in excess of \$5,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are capitalized. Buildings and improvements, infrastructure, vehicles, machinery and other equipment, and furniture and equipment are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20-50 years
Infrastructure	20-50 years
Vehicles	5-25 years
Machinery and other equipment	5-33 years
Furniture and equipment	5-25 years

Compensated Absences – It is the City's policy to permit employees to accumulate earned but unused sick and vacation days. Employees working the equivalent of a 40-hour work week shall have a maximum cash surrender value of accumulated sick leave of up to 80% of 960 hours. Fire department employees working the equivalent of five 24-hour days in a bi-weekly period shall have a maximum cash surrender value of accumulated sick leave of up to 36.9231% of 2,756 hours. The maximum accumulated amount of sick hours is dependent upon hire date. There is no maximum cash surrender value of accumulated vacation leave. A liability is recorded when incurred in the government-wide financial statements and the proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only when they have matured or come due for payment – generally when an individual's employment has terminated as of year end.

**Long-term Obligations** – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets.

**Fund Equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

September 30, 2005

#### **Use of Estimates:**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates

#### **Eliminations and Reclassifications:**

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

#### NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

#### **Budgetary Information:**

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- 1. Prior to the first Council meeting in April, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them, for the General Fund and Special Revenue Funds.
- 2. A public hearing is conducted to obtain taxpayer comments.
- 3. Prior to October 1, the budget is legally enacted through passage of a resolution.
- 4. Formal budgetary integration is employed as a management control device during the year for all funds except Trust and Agency and Internal Service Funds.
- 5. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund and major Special Revenue Funds budgets as originally adopted and amended by the City Council is included in the required supplemental information.
- 6. All annual appropriations lapse at fiscal year end.

#### **Excess of Expenditures Over Appropriations in Budgeted Funds:**

During the year, the City did not incur expenditures that were materially in excess of the amounts budgeted.

#### **State Construction Code Act:**

The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus generated since January 1, 2000 is as follows:

September 30, 2005

Cumulative surplus at October 1, 2004	\$ -
Current year building permit revenue	50,192
Related expenses:	
Direct costs 111,353	
Estimated indirect costs -	
Total construction code expenses	 111,353
Cumulative surplus at September 30, 2005	\$ 

In accordance with the Act, no reservation of fund balance in the General Fund is required.

#### NOTE 3: DEPOSITS AND INVESTMENTS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The City has authorized the finance director and treasurer to use any bank that they deem necessary for the deposit of its funds. The investment policy adopted by the City Council is in accordance with Public Act 196 of 1997. The City's deposits and investments have been made in accordance with statutory authority.

The City's deposits and investments are subject to several types of risk, which are examined in more detail below:

#### **Custodial Credit Risk of Bank Deposits:**

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$3,761,455 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$688,461 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits, and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with acceptable estimated risk level are used as depositories.

September 30, 2005

#### **Custodial Credit Risk of Investments:**

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial risk. At year end, the following investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or an agent in the City's name:

Type of Investment	Carrying Value	How Held
U.S. government agency securities	\$ 4,284,075	Counterparty

#### **Interest Rate Risk:**

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a maximum 270 day maturity. At year end, the average maturities of investments are as follows:

Investment	Fair Value	Weighted Average Maturity
Federal National Mortgage Association	\$ 1,248,959	7 years
Federal Home Loan Bank	1,728,576	6 years
Federal Home Loan Mortgage Corporation	1,306,540	13 years
	\$ 4,284,075	

#### **Credit Risk:**

As of year end, the credit quality ratings of debt securities are as follows:

Investment	Fair Value	Rating	Rating Organization
U.S. government agency securities	\$ 4,284,075	AAA	S&P

#### **Concentration of Credit Risk:**

The City places no limit on the amount the City may invest in any one issuer. At year end, the City had more than 5% of its investments in the following:

U.S. government agencies:	
Federal National Mortgage Association	29.15%
Federal Home Loan Bank	40.35%
Federal Home Loan Mortgage Corporation	30.50%

September 30, 2005

#### NOTE 4: RESTRICTED ASSETS AND BOND RESERVES

#### **Electric Fund Reserves:**

The City Charter requires the establishment of an Electric Fund reserve in an amount equal to 20% of the replacement cost of the City's Electric Utility Fund's property and equipment. No appraisal of replacement cost for property and equipment was performed for the year ended September 30, 2005. The reserve account balance established by the Electric Utility Fund for improvements and replacements amounting to \$1,186,041, therefore, represents 20% of the estimated replacement cost for property and equipment. This was determined by utilizing the September 30, 1993 appraisal adjusted for the average annual Consumer Price Index increases.

#### **Sewer Fund Reserves:**

The authorizing ordinance for the 2000 Water and Sewer Supply System Revenue Bonds required the establishment and maintenance of various reserve accounts as follows:

**Receiving Account** – All receipts are initially deposited into this account.

*Operation and Maintenance Account* – Quarterly transfers are to be made to cover upcoming operating expenses.

**Bond and Interest Redemption Account** – Quarterly transfers are to be made equal to ½ of the next interest payment due plus ¼ of the next principal payment due.

**Bond Reserve Account** – From the proceeds of the Series 2000 Bonds there shall be an amount set aside which is the lesser of: (1) maximum debt service due in any year; (2) 125% of the average annual debt service; or (3) 10% of the principal amount of the bonds.

At September 30, 2005 the City had established these accounts and had restricted cash as follows:

	Requirements				Amount Funded						
							Restric			icted	
							(	Cash and		_	
	O	ctober 1,	Ac	lditions	Se	ptember 30,		Cash			
		<u>2004</u>	(Re	ductions)		<u>2005</u>	Ec	<u>quivalents</u>	In	vestments	
Sewer Fund:											
Bond Reserve	\$	72,314	\$	(1,174)	\$	71,140	\$	111,569	\$	-	
Bond and Interest Redemption		169,661				169,661				150,000	
	\$	241,975	\$	(1,174)	\$	240,801	\$	111,569	\$	150,000	
Electric Fund:											
Replacement of Capital Assets	\$	1,132,799	\$	53,242	\$	1,186,041	\$	430,090	\$	755,951	

The required minimum amount for the bond reserve is the maximum debt service due in any year.

September 30, 2005

## NOTE 5: CAPITAL ASSETS

Capital assets activity of the City's governmental and business-type activities for the year was as follows:

	Beginning		and	
	Balance	Additions	Adjustments	Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 2,698,903	\$ -	\$ -	\$ 2,698,903
Capital assets being depreciated:				
Governmental funds				
Buildings and improvements	1,898,898	3,173	-	1,902,071
Land improvements	97,800	178,619	-	276,419
Vehicles	-	1,987	-	1,987
Machinery and equipment	203,628	34,673	-	238,301
Furniture and equipment	6,000			6,000
	2,206,326	218,452		2,424,778
Internal Service Funds				
Buildings and improvements	143,233	-	-	143,233
Vehicles	1,996,987	41,731	29,538	2,009,180
Machinery and equipment	851,382	75,138	-	926,520
Furniture and equipment	191,861			191,861
	3,183,463	116,869	29,538	3,270,794
Total capital assets being depreciated	5,389,789	335,321	29,538	5,695,572
Accumulated depreciation				
Governmental funds	550,373	63,565	-	613,938
Internal Service Funds	1,810,877	294,722	27,977	2,077,622
Total Accumulated depreciation	2,361,250	358,287	27,977	2,691,560
Net capital assets being depreciated	3,028,539	(22,966)	1,561	3,004,012
Net Governmental Activities capital assets	\$ 5,727,442	\$ (22,966)	\$ 1,561	\$ 5,702,915

September 30, 2005

	Beginning Balance	Additions	Disposals and Adjustments	Ending Balance	
<b>Business-type Activities:</b>					
Electric Fund capital assets:					
Capital assets not being depreciated:					
Land	\$ 16,775	\$ -	\$ -	\$ 16,775	
Capital assets being depreciated:					
Buildings and improvements	149,397	-	-	149,397	
Utility system	4,371,589	651,526	-	5,023,115	
Machinery and other equipment	182,867			182,867	
Total capital assets being depreciated	4,703,853	651,526	-	5,355,379	
Accumulated depreciation	2,279,723	156,414		2,436,137	
Net capital assets being depreciated	2,424,130	495,112		2,919,242	
Net Electric Fund capital assets	2,440,905	495,112		2,936,017	
Sewer Fund capital assets:					
Capital assets not being depreciated:					
Land	47,710			47,710	
Capital assets being depreciated:					
Buildings and improvements	4,762,902	177,293	-	4,940,195	
Utility system	2,879,067	17,839	-	2,896,906	
Machinery and equipment	178,825			178,825	
Total capital assets being depreciated	7,820,794	195,132	-	8,015,926	
Accumulated depreciation	3,755,859	131,923		3,887,782	
Net capital assets being depreciated	4,064,935	63,209		4,128,144	
Net Sewer Fund capital assets	4,112,645	63,209		4,175,854	

September 30, 2005

	Beginning Balance	Additions	Disposals and Adjustments	Ending Balance
<b>Business-type Activities (continued):</b>				
Water Fund capital assets:				
Capital assets not being depreciated:				
Land	1,966			1,966
Capital assets being depreciated:				
Buildings and improvements	796,875	-	-	796,875
Utility system	2,551,333	24,960	-	2,576,293
Machinery and equipment	36,460			36,460
Total capital assets being depreciated	3,384,668	24,960	-	3,409,628
Accumulated depreciation	1,374,144	66,782		1,440,926
Net capital assets being depreciated	2,010,524	(41,822)		1,968,702
Net Water Fund capital assets	2,012,490	(41,822)		1,970,668
Nonmajor Enterprise Fund capital assets:				
Capital assets being depreciated:				
Furniture and equipment	7,893	-	-	7,893
Vehicles	146,637			146,637
Total capital assets being depreciated	154,530	-	-	154,530
Accumulated depreciation	97,891	21,155		119,046
Net capital assets being depreciated	56,639	(21,155)		35,484
Net Nonmajor Enterprise Fund capital assets	56,639	(21,155)		35,484
Net Business-type Activities capital assets	\$ 8,622,679	\$ 495,344	\$ -	\$ 9,118,023

September 30, 2005

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities:	
General government	\$ 38,696
Public safety	20,740
Public works	293,656
Recreation and culture	 5,194
Total Governmental Activities	\$ 358,286
Business-type Activities:	
Electric	\$ 156,414
Sewer	131,923
Water	66,782
Nonmajor Enterprise - DART	 21,154
Total Business-type Activities	\$ 376,273

## **NOTE 6: DEFERRED REVENUE**

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>		<b>Unearned</b>		
Primary Government:					
Loans	\$	453,272	\$	-	
Grant, program income, and general revenue					
payments received prior to meeting all					
eligibility requirements		35,443		1,468,275	
Total	\$	488,715	\$	1,468,275	
<b>Component Units:</b>					
Grant, program income, and general revenue					
payments received prior to meeting all					
eligibility requirements	\$		\$	62,075	

September 30, 2005

## **NOTE 7: LONG-TERM LIABILITIES**

The City issues bonds and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the City. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service. Other long-term obligations include compensated absences.

Long-term obligation activity for the year ended September 30, 2005 is summarized as follows:

	Interest	Principal				Due
	Rate	Maturity	Beginning	Additions	Ending	Within
	Ranges	Ranges	Balance	(Reductions)	Balance	One Year
Governmental Activities:						
General Obligation Limited Tax Bond -						
1997 Building Authority Bonds						
Amount of Issue - \$1,600,000						
Maturing through August 2017	4.6-5.4%	\$65,000-130,000	\$ 1,220,000	\$ (65,000)	\$ 1,155,000	\$ 65,000
2000 Installment Purchase - Land						
Amount of Issue - \$500,000						
Maturing through December 2015	7.00%	25,425-49,642	398,499	(27,002)	371,497	28,892
2001 Promissory Note - Land Contract						
Amount of Issue - \$800,000						
Maturing through December 2029	8.00%	7,776-69,580	800,000	(7,776)	792,224	11,118
2001 Promissory Note - Land Contract						
Amount of Issue - \$50,000						
Maturing through February 2005	6.00%	16,667	16,666	(16,666)	-	-
2001 Michigan Strategic Grant/Loan						
Amount of Issue - \$448,000						
Maturing through August 2015	6.00%	27,962-50,724	421,655	(27,962)	393,693	29,678
Compensated absences			407,122	22,674	429,796	-
Total Governmental Activities			3,263,942	(121,732)	3,142,210	134,688

September 30, 2005

	Interest Rate Ranges	Principal Maturity Ranges		eginning Balance		dditions eductions)		Ending Balance		Due Within ne Year
<b>Business-type Activities:</b>										
2000 Water and Sewer Revenue Bonds-										
Water Supply (33.3487%)										
Sewage Disposal (66.6513%)										
Amount of Issue - \$1,955,000 Maturing through December 2020	4.75-5.65%	\$65,000-165,000	\$	1,785,000	\$	(65,000)	¢.	1,720,000	\$	65,000
Maturing unough December 2020	4.73-3.03%	\$05,000-105,000	Ф	1,785,000	Ф	(03,000)	Ф	1,720,000	Ф	03,000
Compensated absences				193,067		(41,811)		151,256	_	
Total Business-type Activities				1,978,067		(106,811)	_	1,871,256		65,000
Total Governmental and										
Business-type Activities			\$	5,242,009	\$	(228,543)	\$	5,013,466	\$	199,688
Component Units:										
1994 Downtown Development										
General Obligation Bond										
Amount of Issue - \$620,000										
Maturing through November 2010	5.45-6.00%	\$45,000-65,000	\$	325,000	\$	(45,000)	\$	280,000	\$	50,000
1997 Downtown Development										
Limited Tax General Obligation Bond										
Amount of Issue - \$510,000										
Maturing through May 2010	5.35-5.80%	40,000-55,000		285,000		(40,000)		245,000		45,000
Compensated absences				19,106		1,523	_	20,629		
Total Component Units			\$	629,106	\$	(83,477)	\$	545,629	\$	95,000

September 30, 2005

Annual debt service requirements to maturity for the above bond and contractual obligations are as follows:

	Primary Government														
Year Ended		Governmental Activities						Business-type Activities							
September 30,	ember 30, Princ		Interest		<b>Total</b>		Principal		Interest		_	Total			
2006	\$	139,688	\$	169,938	\$	309,626	\$	65,000	\$	89,561	\$	154,561			
2007		149,455		161,726		311,181		70,000		86,288		156,288			
2008		154,551		152,993		307,544		75,000		82,753		157,753			
2009		165,000		143,707		308,707		80,000		78,935		158,935			
2010		175,828		133,732		309,560		85,000		74,830		159,830			
2011-2015		1,044,044		491,611		1,535,655		500,000		302,029		802,029			
2016-2020		400,647		238,729		639,376		680,000		145,862		825,862			
2021-2025		216,992		153,480		370,472		165,000		4,661		169,661			
2026-2030	_	266,209		48,693		314,902		=		-					
	\$	2,712,414	\$	1,694,609	\$	4,407,023	\$	1,720,000	\$	864,919	\$	2,584,919			

Year Ended		Total	Pri	mary Gover	nm	ent	Componen					t Units			
September 30,	]	Principal		Interest	_	<u>Total</u>		Principal		nterest		Total			
2006	\$	204,688	\$	259,499	\$	464,187	\$	95,000	\$	28,720	\$	123,720			
2007		219,455		248,014		467,469		95,000		23,440		118,440			
2008		229,551		235,746		465,297		105,000		17,919		122,919			
2009		245,000		222,642		467,642		110,000		11,725		121,725			
2005		260,828		208,562		469,390		120,000		5,140		125,140			
2010-2014		1,544,044		793,640		2,337,684		-		-		-			
2015-2019		1,080,647		384,591		1,465,238		-		-		-			
2020-2024		381,992		158,141		540,133		-		-		-			
2025-2029		266,209	_	48,693		314,902									
	\$	4,432,414	\$	2,559,528	\$	6,991,942	\$	525,000	\$	86,944	\$	611,944			

September 30, 2005

## NOTE 8: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

Receivables and payables as of year end for the City's governmental and business-type activities in the aggregate are as follows:

		Primary G	over	nment	•	
		overnmental Activities		usiness-type Activities	C	Component Units
Receivables:						
Property taxes	\$	197,329	\$	-	\$	-
Accounts		41,477		1,451,478		-
Notes		513,823				65,596
Interest		25,768		30,747		_
Intergovernmental		234,688		5,408		-
Due from primary government		-		-		62,075
Advance to component unit		37,563		263,606		-
Total receivables	<u>\$</u>	1,050,648	\$	1,751,239	\$	127,671
Accounts payable and accrued expenses:						
Accounts	\$	219,125	\$	420,599	\$	451
Payroll and related liabilities		54,878		24,149		-
Interest		35,797		30,179		12,555
Intergovernmental		-		1,581		-
Due to component unit		62,075		-		-
Deposits payable		1,640		84,440		-
Other		-		5,808		-
Advance from primary government						301,169
Total accounts payable and accrued expenses	\$	373,515	\$	566,756	\$	314,175

September 30, 2005

#### **NOTE 9: INTERFUND TRANSFERS**

Interfund transfers reported in the fund statements were as follows:

			Transf	er from			
	General Fund			Water	Electric	All Others	<u>Totals</u>
Transfer To							
Local Street	\$ -	\$ 54,000	\$ -	\$ -	\$ -	\$ -	\$ 54,000
Nonmajor Governmental							
Streetscape Maint.	-	-	-	-	5,000	-	5,000
Sidewalk Replacement	6,273	-	-	-	-	-	6,273
Industrial Development	-	-	-	-	50,000	-	50,000
Police Athetic League	-	-	-	-	20,800	-	20,800
Municipal Facilities	54,620	-	-	-	56,876	4,140	115,636
Debt Service	-	-	15,425	5,437	50,953	54,620	126,435
Sewer	-	55,760	-	-	-	-	55,760
Electric	-	-	-	-	-	13,701	13,701
Internal Service	190,768	1,013	42,205	15,982	111,491	30,101	391,560
Component Units - DDA					90,817		90,817
	\$ 251,661	\$ 110,773	\$ 57,630	\$ 21,419	\$ 385,937	\$ 102,562	\$ 929,982

Interfund transfers reported in the government-wide statements were as follows:

	Transfer From						
	Business-type Activities						
Transfer To	_						
Governmental Activities	\$	304,708					
Component Units		90,817					
	\$	395,525					

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the various funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

September 30, 2005

#### NOTE 10: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The City manages its general liability, property, and auto risk/insurance by participating in Michigan Municipal Risk Management Authority, a public entity risk pool providing insurance coverage to its participating members. The City pays premiums to the Authority for its insurance coverage. The Michigan Municipal Risk Management Authority is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based coverage for each incident to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The City manages its workers' compensation risk/insurance by participating in the Michigan Municipal League (MML), a public entity pool providing insurance coverage to its participating members. The City pays premiums to MML for the insurance coverage. The MML is self-sustaining through member premiums. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The City obtains its other insurance coverage through a commercial insurance company.

#### NOTE 11: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

#### Defined Benefit Pension Plan (Michigan Municipal Employees' Retirement System):

**Plan Description** – The City's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The City participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917 or by calling (800) 767-6377.

**Funding Policy** – The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's management and personnel policy. The required employee contribution rates and the City's actuarially determined rates for the fiscal year ended September 30, 2005 were as follows:

September 30, 2005

Valuation		Employer Contribution	Employee Contribution
Division	<b>Provision</b>	Rate	Rate
General - Non-Union	B-2	5.28%	6.89%
Police	B-4	7.27%	8.65%
Fire	B-4	8.94%	9.17%
General Public Work	B-3	12.16%	8.17%
Department Heads	B-4	13.96%	6.51%
Police Sergeants	B-4	15.24%	8.20%

Annual Pension Costs – For year ended September 30, 2005, the City's annual pension cost of \$292,308 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2002, using the entry actual age cost method. Significant actuarial assumption used include: (i) an 8% investment rate of return; (ii) projected salary increases of 4.5% per year; and (iii) 2.5% per year cost of living adjustments. All are determined using techniques that smooth the effects of short-term volatility over a four year period. The unfunded actuarial liability is being amortized at a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

Three year trend information as of September 30, follows:

		2005	_	2004	2003			
Annual pension cost Percentage of APC contributed	\$	292,308 100%	\$	275,171 100%	\$	228,005 100%		
Net pension obligation		-		-		-		

#### **Post Employment – Retiree Health Insurance Benefits:**

The City has established a postemployment hospitalization insurance plan for employees retiring after October 1, 1984 who: (a) receive benefits under the City Retirement Plan; or (b) have attained age sixty (60) years but do not qualify to receive benefits under the City Retirement Plan although they have been employed by the City for a minimum of five (5) years. The plan currently covers 71 active employees and 14 retired employees.

The obligation to pay postemployment hospitalization insurance premium was established by the City Council. The obligation requires that the City reimburse any eligible employee an amount equal to 50% of any premium attributable to the employee only or up to a maximum of \$200 per month.

The City has chosen to advance-fund this obligation based on an actuarial valuation at October 1, 2001 (latest available report). Significant actuarial assumptions used include: (a) a rate of return on investment of 8% per year compounded annually, (b) projected salary increases of 4.5% per year, and (c) projected insurance premium costs of \$200 per month per eligible person.

September 30, 2005

The required contribution, for retire health insurance funding, for the year ended September 30, 2005 is \$49,616 and a contribution of \$49,616 has been made by the City.

The amount of net assets available in the Retiree Health Insurance Fund, a fiduciary fund, at September 30, 2005 is \$234,867. The amount of unfunded accrued liability at September 30, 2005, including the employee's share of the premium cost, is estimated to be approximately \$640,500 based on the latest available actuarial valuation (as of October 1, 2001).

**Upcoming Reporting Change** – The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other than Pensions.* The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than the time the health care benefits are paid. The new pronouncement is effective for the year beginning October 1, 2009.

#### **Deferred Compensation Plan:**

The employees of the City are allowed to contribute on a voluntary basis to a deferred compensation plan through payroll deductions. The plan is made available to all eligible employees by authority of Section 457 of the Internal Revenue Code (IRC), and is administered by ICMA Retirement Corporation. Employees may set aside and invest portions of their current income to meet their financial requirements and supplement their retirement and social security benefits.

#### **NOTE 12: FUND EQUITY**

Specific reservations on fund equity include:

**Reserved for prepaid expenditures** – This reserve was created to indicate that the portion of fund balance represented by prepaid expenditures is not available for appropriation.

**Reserved for nonexpendable cemetery principal** – This reserve was created to indicate that portion of fund balance representing the nonexpendable principal portion required to be retained in perpetuity for cemetery care.

Specific designations on fund equity include:

**Designated for Rudolphi Wildlife** – This designation was created to indicate funds contributed to cover payment of associated expenditures.

**Designated for COPS** – This designation was created to indicate funds contributed to cover payment of associated expenditures.

**Designated for Girl Power** – This designation was created to indicate funds contributed to cover payment of associated expenditures.

**Designated for Justice Training** – This designation was created to indicate funds contributed to cover payment of associated expenditures.

September 30, 2005

## NOTE 13: COMPONENT UNITS REPORTING

A condensed Statement of Net Assets as September 30, 2005, and the Statement of Activities for the year then ended for each of the discretely presented component units follows:

STATEMENT OF NET ASSETS:	Local Development Finance <u>Authority</u>				Total Component <u>Units</u>		
Assets:	¢.	4.061	Φ	22.021	Ф	26,002	
Cash and cash equivalents Receivables	\$	4,861 13,354	\$	22,031 114,317	\$	26,892 127,671	
Prepaid expenditures and other items		456,343		1,109		457,452	
riepaid expenditures and other items		430,343		1,109		437,432	
Total assets		474,558		137,457		612,015	
Liabilities:							
Accounts payable and accrued expenses		301,169		13,006		314,175	
Deferred revenue		13,354		48,721		62,075	
Long-term liabilities:							
Due within one year		-		95,000		95,000	
Due in more than one year				450,629		450,629	
Total liabilities		314,523		607,356		921,879	
Net assets:							
Unrestricted	\$	160,035	\$	(469,899)	\$	(309,864)	
STATEMENT OF ACTIVITIES:							
Expenses	\$	-	\$	174,658	\$	174,658	
Program revenues:							
Charges for services		36		34,303	_	34,339	
Total governmental activities		36	_	(140,355)		(140,319)	
General revenues:							
Property taxes captured		46,148		132,208		178,356	
Unrestricted investment earnings		-		5,340		5,340	
Transfer from the City			_	90,817	_	90,817	
Total general revenues		46,148		228,365		274,513	
Change in net assets		46,184		88,010		134,194	
Net assets, beginning of year		113,852		(557,910)		(444,058)	
Net assets, end of year	\$	160,036	\$	(469,900)	\$	(309,864)	



## SCHEDULE OF PENSION PLAN FUNDING PROGRESS

Actuarial Valuation Date	12/31/2004	12/31/2003	12/31/2002
Actuarial Value of Assets	\$ 7,231,290	\$ 6,682,270	\$ 6,013,592
Actuarial Accrued Liability (AAL)	11,417,684	10,233,293	9,070,524
Unfunded AAL (UAAL)	4,186,394	3,541,023	3,056,932
Funded Ratio	63%	65%	66%
Covered Payroll	2,718,932	2,676,218	2,668,436
UAAL as a percentage of covered payroll	154%	132%	115%

## **BUDGETARY COMPARISON SCHEDULE**

				Actual
	Budgeted	Amounts		Over (Under)
	Original	Final	Actual	<b>Final Budget</b>
Revenues:				
Property taxes	\$ 1,570,088	\$ 1,563,174	\$ 1,569,142	\$ 5,968
Licenses and permits	89,350	93,995	106,280	12,285
Federal grants	30,528	30,528	40,435	9,907
State grants	785,892	780,371	784,032	3,661
Contributions from other units	172,867	179,013	168,830	(10,183)
Charges for services	530,537	529,167	525,440	(3,727)
Fines and forfeits	7,500	7,500	7,206	(294)
Interest and rents	76,034	73,336	93,434	20,098
Other revenue	39,499	57,858	23,800	(34,058)
Total revenues	3,302,295	3,314,942	3,318,599	3,657
Expenditures:				
Current:				
General government	891,792	922,984	912,870	(10,114)
Public safety	1,263,883	1,321,022	1,318,587	(2,435)
Public works	48,551	53,375	50,462	(2,913)
Recreation and culture	13,000	13,000	13,000	-
Other	806,343	796,284	795,826	(458)
Capital outlay	30,048	38,188	36,673	(1,515)
Total expenditures	3,053,617	3,144,853	3,127,418	(17,435)
Excess (deficiency) of				
revenues over expenditures	248,678	170,089	191,181	21,092
Other financing sources (uses)				
Transfers out	(251,661)	(251,661)	(251,661)	
Total other financing sources (uses)	(251,661)	(251,661)	(251,661)	
Net change in fund balance	(2,983)	(81,572)	(60,480)	21,092
Fund balance, beginning of year	687,929	687,929	687,929	
Fund balance, end of year	\$ 684,946	\$ 606,357	\$ 627,449	\$ 21,092

#### SPECIAL REVENUE FUND – MAJOR STREET FUND

## **BUDGETARY COMPARISON SCHEDULE**

							A	Actual
		Budgeted	An	nounts			Ove	r (Under)
	(	Original		Final		Actual	<u>Fina</u>	al Budget
Revenues:								
State grants	\$	335,789	\$	338,000	\$	345,478	\$	7,478
Interest and rents		2,000		2,000		5,177		3,177
Other revenue	_			-		183		183
Total revenues		337,789		340,000		350,838		10,838
Expenditures:								
Current:								
Public works		180,539		218,462		225,800		7,338
Capital outlay		152,186		164,000		173,995		9,995
Total expenditures		332,725	_	382,462		399,795		17,333
Excess (deficiency) of								
revenues over expenditures		5,064		(42,462)		(48,957)		(6,495)
Other financing sources (uses):								
Transfers out		(110,249)		(110,249)		(110,249)		
Total other financing sources (uses)		(110,249)	_	(110,249)	_	(110,249)		
Net change in fund balance		(105,185)		(152,711)		(159,206)		(6,495)
Fund balance, beginning of year		196,998		196,998		196,998		
Fund balance, end of year	\$	91,813	\$	44,287	\$	37,792	\$	(6,495)

#### SPECIAL REVENUE FUND – LOCAL STREET FUND

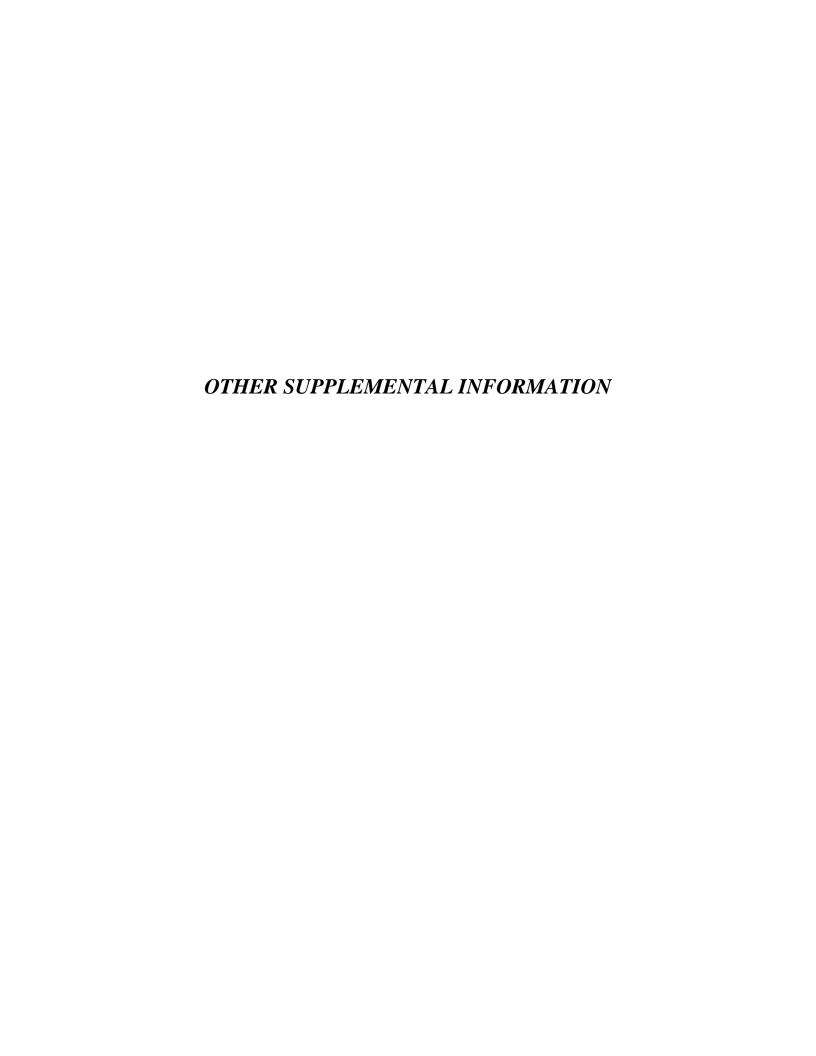
## **BUDGETARY COMPARISON SCHEDULE**

	Budgeted	Amounts		Actual Over (Under)
	Original	Final	Actual	Final Budget
Revenues:				
State grants	\$ 143,693	\$ 138,583	\$ 142,707	\$ 4,124
Interest and rents	1,000	1,000	1,879	879
Total revenues	144,693	139,583	144,586	5,003
Expenditures:				
Current:	200 200	227.744	170.050	(55.51.4)
Public works	209,390	227,764	172,050	(55,714)
Total expenditures	209,390	227,764	172,050	(55,714)
Excess (deficiency) of				
revenues over expenditures	(64,697)	(88,181)	(27,464)	60,717
Other financing sources (uses):				
Transfers in	54,000	54,000	54,000	-
Transfers out	(524)	(524)	(524)	
Total other financing sources (uses)	53,476	53,476	53,476	
Net change in fund balance	(11,221)	(34,705)	26,012	60,717
Fund balance, beginning of year	38,680	38,680	38,680	
Fund balance, end of year	\$ 27,459	\$ 3,975	\$ 64,692	\$ 60,717

#### SPECIAL REVENUE FUND – MUNICIPAL FACILITIES/IMPROVEMENT FUND

## **BUDGETARY COMPARISON SCHEDULE**

							Actual			
	Budgeted Amounts						Over (Under)			
	_(	Original Final				Actual	Fin	al Budget		
Revenues:				_						
Interest and rents	\$	33,600	\$	48,500	\$	69,738	\$	21,238		
Other revenue		21,792	_	21,792	_	9,193				
Total revenues		55,392		70,292		78,931		21,238		
Expenditures:										
Current:										
General government		81,156		226,090		148,181		(77,909)		
Capital outlay		20,875		20,875		3,173		(17,702)		
Debt service:										
Principal		16,666		16,666		16,666		-		
Interest and fees		1,000		1,000		1,000				
Total expenditures		119,697		264,631		169,019		(95,611)		
Excess (deficiency) of										
revenues over expenditures		(64,305)		(194,339)		(90,088)		116,849		
Other financing sources (uses):										
Transfers in		115,636		115,636		115,636		-		
Transfers out		(54,620)	_	(54,620)	_	(54,620)				
Total other financing sources (uses)		61,016	_	61,016		61,016				
Net change in fund balance		(3,289)		(133,323)		(29,072)		116,849		
Fund balance, beginning of year		331,640	_	331,640		331,640				
Fund balance, end of year	\$	328,351	\$	198,317	\$	302,568	\$	116,849		



## **DETAILED SCHEDULE OF REVENUES**

Revenues:	
Current taxes:	h 1 222 07 5
Property taxes	\$ 1,233,056
Penalties and interest on taxes	18,491
Administration fees	45,468
Payment in lieu of taxes	272,127
T'	1,569,142
Licenses and permits:	100
Business licenses and permits	102
Nonbusiness licenses and permits	64,144
CATV franchise fees	42,034
	106,280
Federal grants:	
Police	36,495
Homeland Security	3,940
·	40,435
State grants:	
Liquor license fees	4,311
State revenue sharing - sales tax	778,083
Police grant	1,638
Tonce grain	784,032
Contribution from other units:	
Reimbursements and grants for police services:	80,355
County School districts and college	6,150
Fire protection fees	66,176
Election reimbursements from school districts	6,238
	9,911
Administration fees from Downtown Development Authority	
	168,830
Charges for services:	
Recreation fees	41,780
Cemetery fees	40,624
Police services and reports	3,510
Airport fees	18,540
Administrative charges to other funds	420,986
	525,440
Fines and forfeitures:	
Ordinance fines	803
Other	6,403
	7,206

## DETAILED SCHEDULE OF REVENUES, CONTINUED

Revenues,	continued:
-----------	------------

Interest and rents:	
Interest	\$ 63,733
Rents	29,701
	93,434
Other revenue:	
Cemetery lots/perpetual care	12,805
Contributions and donations	1,401
Other	9,594
	23,800
Total revenues	\$ 3,318,599

## **DETAILED SCHEDULE OF EXPENDITURES**

Expenditures: General Government:	
Council:	
Personnel	\$ 8,200
Dues and memberships	1,136
Education and training	10,333
Other	4,563
Other	
	24,232
Manager:	170 145
Personnel	178,145
Fringe benefits	24,590
Supplies	858
Contracted services	2,193
Telephone	520
Dues and memberships	1,582
Education and training	7,681
Other	637
	216,206
Accounting/Finance/Treasurer:	
Personnel	221,461
Supplies	561
Contracted services	16,179
Education and training	833
Other	271
	239,305
Clerk:	
Personnel	67,409
Supplies	420
Contracted services	1,020
Dues and memberships	516
Education and training	2,710
Printing and publications	5,118
Other	216
	77,409
Assessor:	
Personnel	12,462
Supplies	204
Contracted services	29,325
Telephone	328
Dues and memberships	675
Education and training	125
	43,119

## DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Expenditures, continued:  General Government, continued:	
Elections:	
Personnel	4,455
Supplies	79
Printing and publications	87
Repairs and maintenance	309
repairs and maintenance	
	4,930
Buildings and Grounds:	151065
Personnel	154,065
Supplies	40,471
Contracted services	28,448
Telephone	5,312
Education and training Utilities	235
	37,624
Repairs and maintenance Other	9,456 514
Other	
	276,125
Attorney:	
Contracted services	31,544
	31,544
Total general government	912,870
Public Safety:	
Police:	
Personnel	846,060
Supplies	23,930
Contracted services	5,518
Telephone	9,120
Education and training	18,383
Printing and publications	1,148
Other	754
	904,913

## DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Expenditures, continued:	
Public Safety, continued.: Fire:	
Personnel	249,402
Supplies	5,907
==	
Telephone	1,458 3,040
Education and training Utilities	3,040 13,670
	7,490
Repairs and maintenance Equipment rental	5,796
Other	1,282
Other	
	228,045
Protective Inspection and Regulation:	
Personnel	90,255
Supplies	922
Contracted services	28,200
Telephone	1,538
Dues and memberships	1,080
Education and training	3,126
Printing and publications	107
Repairs and maintenance	383
Other	18
	125,629
Total public safety	1,318,587
Public Works:	
Sidewalks:	
Personnel	2,192
Repairs and maintenance	2,200
	4,392
Airport:	
Personnel	5,761
Supplies	24,015
Contracted services	3,378
Telephone	985
Insurance	8,500
Utilities	3,171
Equipment rental	50
Other	210
omo:	
	46,070
Total public works	50,462

## DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Expenditures, continued:	
Recreation and Culture:	
Library:	
Contracted services	13,000
	13,000
Total recreation and culture	13,000
Other:	
Insurance and bonds	51,030
Employee benefits	443,927
Retirement	147,838
Payroll taxes	133,929
Workers compensation insurance	19,102
	795,826
Total other	795,826
Capital Outlay:	
General government	2,000
Public safety	34,673
·	36,673
Total capital outlay	36,673
Total expenditures	3,127,418
Other Financing Uses:	
Transfers to other funds	251,661
	251,661
Total expenditures and other financing uses	\$ 3,379,079
1	

#### NONMAJOR GOVERNMENTAL FUNDS

## **COMBINING BALANCE SHEET**

September 30, 2005

	Special Revenue Funds												
	Parks Fund		-		Solid Waste Disposal Fund		Industrial Development Fund		Streetscape Maintenance Fund			Police Athletic League Fund	
Assets:	Ф	10.510	Ф	10.221	Ф	17.062	Ф	024	Φ	1.500	ф	2 201	
Cash and cash equivalents	\$	43,518	\$	10,234	\$	17,962	\$	924	\$	1,580	\$	2,281	
Investments		-		-		48,074		110.760		-		-	
Notes receivable		-		-		- 520		119,760		-		-	
Interest receivable		-		-		539		-		-		- 42	
Prepaid expenditures		-		-		2,074		-		-		42	
Land held for development		-		-		-		- 27 562				-	
Advance to component unit								37,563					
Total assets	\$	43,518	\$	10,234	\$	68,649	\$	158,246	\$	1,580	\$	2,323	
Liabilities and Fund Balances: Liabilities:													
Accounts payable		-		650		468		-		-		1	
Accrued expenses		-		-		725		-		-		2,237	
Deferred revenue		-				-		119,760					
Total liabilities				650	_	1,193	_	119,760				2,238	
Fund balances:													
Reserved for:													
Prepaid expenditures		-		-		2,074		-		-		42	
Nonexpendable cemetery principal		-		-		-		-		-		-	
Unreserved:													
Special revenue funds		43,518		9,584		65,382		38,486		1,580		43	
Debt service fund		-		-		-		-		-		-	
Capital projects fund													
Total fund balances		43,518		9,584		67,456		38,486		1,580		85	
Total liabilities and fund balances	\$	43,518	\$	10,234	\$	68,649	\$	158,246	\$	1,580	\$	2,323	

			Spec	ial R	evenue I	Service Pr		Capital Projects Fund		ermanent Fund											
	MSC Rehabilitation Loan Repayment Fund		MSHDA Housing Resource Fund		City Drug orfeiture Fund	County Drug Forfeiture Fund		Depot Drive Fund		Drive			1997 Building Authority Bonds Fund	M-51 South Commercial Development Fund		ng South ity Commercial S Development			Cemetary Perpetual Care Fund		Total Nonmajor Governmental Funds
\$ <u>\$</u>	54,844 - 61,213 - - - - - 116,057	\$	229 - - - - - - - 229	\$	9,591 - - - - - - - - - - - - - -	\$ 	36	\$	33,318 - - 248 - - 33,566	\$ <u>\$</u>	69,452 - - - - - - - - - - - - - - - -	\$ 	(47,228) - 49,500 - - - - - 2,272	\$ 	134,191 556,866 - 3,802 - 8,900 - 703,759	\$ <u>\$1</u>	330,932 604,940 230,473 4,341 2,364 8,900 37,563				
\$	61,213 61,213	\$	- - - -	\$	- - - -	\$	- - - -	\$	279 - - 279	\$	- - - -	\$ 	- - - -	\$	- - - -	\$	1,398 2,962 180,973 185,333				
	-		-		-		- -		248		- -		- -		703,760		2,364 703,760				
	54,844	_	229 - - - 229		9,591 - - - 9,591		36	_	33,039	_	69,452 - 69,452	_	2,272 2,272	_	- - - - 703,760		256,332 69,452 2,272 1,034,180				
\$	116,057	\$	229	\$	9,591	\$	36	\$	33,566	\$	69,452	\$	2,272	\$	703,760	\$ 1	1,219,513				

#### NONMAJOR GOVERNMENTAL FUNDS

## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

						Special Rev	enu	e Funds				
		Parks Fund	Sidewalk Replacement Fund		Solid Waste Disposal Fund			Industrial evelopment Fund		treetscape aintenance Fund		Police Athletic League Fund
Revenues:	Ф		Ф		Φ	114504	ф		Ф		Φ	
Property taxes	\$	-	\$	-	\$	114,524	\$	-	\$	-	\$	-
State grants		-		-		-		-		-		- 774
Charges for services Fines and forfeits		-		-		-		-		-		//4
Interest and rents		- 1		10		2,939		6,045		3		70
Other revenue		77,124		1,466		2,939		10,336		800		15,440
Other revenue	_	77,124	_	1,400	_		_	10,330		800	_	13,440
Total revenues		77,125	_	1,476	_	117,463	_	16,381		803	_	16,284
Expenditures:												
Current:												
Public safety		-		-		-		-		-		42,547
Public works		-		14,080		69,704		-		115,587		-
Community and economic												
development		-		-		-		642		-		-
Recreation and culture		44,671		-		-		-		-		-
Capital outlay		4,611		-		-		-		-		-
Debt Service:								25 720				
Principal		-		-		-		35,738		-		-
Interest and fees	_				_		_	88,473			_	
Total expenditures	_	49,282		14,080	_	69,704	_	124,853	_	115,587	_	42,547
Excess (deficiency of revenues revenues over expenditures	_	27,843	_	(12,604)		47,759	_	(108,472)	(	(114,784)		(26,263)
Other financing sources (uses): Transfers in		5,000		6,273		-		50,000		-		20,800
Transfers out			_		_	(29,177)	_					-
Total other financing sources (uses)	_	5,000		6,273		(29,177)		50,000	_		_	20,800
Net change in fund balance		32,843		(6,331)		18,582		(58,472)	(	(114,784)		(5,463)
Fund balances, beginning of year	_	10,675		15,915		48,874		96,958		116,364		5,548
Fund balances, end of year	\$	43,518	\$	9,584	\$	67,456	\$	38,486	\$	1,580	\$	85

	Sneci	al Revenue I	Tunds		Debt Service Fund	Capital Projects Fund	Permanent Fund	
MSC Rehabilitation Loan Repayment Fund	MSHDA Housing Resource Fund	City Drug Forfeiture Fund	County Drug Forfeiture Fund	Depot Drive Fund	1997 Building Authority Bonds Fund	M-51 South Cemetary Commercial Perpetual Development Care Fund Fund		Total Nonmajor Governmental Funds
\$ - - -	\$ - 304,527 -	\$ - - 12,336	\$ - - - 1,560	\$ - - - -	\$ - - - -	\$ - - - -	\$ - - - -	\$ 114,524 304,527 774 13,896
634 16,346	202,009	<u>-</u>	2,241	7,012 6,026	1,218	68 55,000	26,854 15,795	44,855 402,583
16,980	506,536	12,336	3,802	13,038	1,218	55,068	42,649	881,159
-	- -	5,160	25,221	- 8,526	-	-	-	72,928 207,897
17,102	506,906	-	-	-	-	1,485	-	526,135 44,671
-	-	-	-	-	-	-	-	4,611
- -	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	65,000 61,360	27,002 27,895	<u>-</u>	127,740 177,728
17,102	506,906	5,160	25,221	8,526	126,360	56,382		1,161,710
(122)	(370)	7,176	(21,419)	4,512	_(125,142)	(1,314)	42,649	(280,551)
-	- 	- 	<u>-</u>	(4,140)	126,435	(13,701)	<u>-</u>	208,508 (47,018)
				(4,140)	126,435	(13,701)		161,490
(122)	(370)	7,176	(21,419)	372	1,293	(15,015)	42,649	(119,061)
54,966	599	2,415	21,455	32,915	68,159	17,287	661,111	1,153,241
\$ 54,844	\$ 229	\$ 9,591	\$ 36	\$ 33,287	\$ 69,452	\$ 2,272	\$ 703,760	\$1,034,180

#### PROPRIETARY FUNDS – INTERNAL SERVICE FUNDS

## COMBINING STATEMENT OF NET ASSETS

September 30, 2005

	Motor Pool Equipment Fund	Computer Equipment Replacement Fund	Total Internal Service Funds
Assets:			
Current assets:			
Cash and cash equivalents	\$ -	\$ 80,192	\$ 80,192
Investments	562,658	-	562,658
Accounts receivable	7,889	-	7,889
Notes receivable	11,051	-	11,051
Accrued interest receivable	7,564	65	7,629
Prepaid expenses	10,543		10,543
Total current assets	599,705	80,257	679,962
Noncurrent assets:			
Capital assets			
Depreciable capital assets, net	1,170,200	22,972	1,193,172
Total noncurrent assets	1,170,200	22,972	1,193,172
Total assets	1,769,905	103,229	1,873,134
Liabilities:			
Current liabilities:			
Accounts payable	9,092	946	10,038
Accrued expenses	712		712
Total current liabilities	9,804	946	10,750
Noncurrent liabilities:			
Compensated absences payable	3,498		3,498
Total noncurrent liabilities	3,498		3,498
Total liabilities	13,302	946	14,248
Net assets:			
Invested in capital assets, net of related debt	1,170,200	22,972	1,193,172
Unrestricted	586,403	79,311	665,714
Total net assets	\$ 1,756,603	\$ 102,283	\$ 1,858,886

#### PROPRIETARY FUNDS – INTERNAL SERVICE FUNDS

## COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

	Motor Pool Equipment Fund	Computer Equipment Replacement Fund	Total Internal Service Funds	
Operating revenues:				
Equipment rental	\$ 132,006	\$ -	\$ 132,006	
Other	5,275	937	6,212	
	·		·	
Total operating revenues	137,281	937	138,218	
Operating expenses				
Personnel	42,060	-	42,060	
Fringe benefits	23,816	-	23,816	
Supplies	72,177	9,675	81,852	
Contracted services	3,393	17,652	21,045	
Administrative expense	13,604	-	13,604	
Insurance	34,026	-	34,026	
Utilities	20,478	-	20,478	
Repair and maintenance	96,849	-	96,849	
Other services and supplies	2,006	68	2,074	
Depreciation	292,568	2,153	294,721	
Total operating expenses	600,977	29,548	630,525	
Operating income (loss)	(463,696)	(28,611)	(492,307)	
Non-operating revenues (expenses):				
Interest income	33,155	690	33,845	
Other revenue	10,989		10,989	
Total non-operating revenues (expenses)	44,144	690	44,834	
Net income (loss) before operating transfers	(419,552)	(27,921)	(447,473)	
Operating transfers:				
Transfer from other funds	354,095	37,465	391,560	
Transfer to other funds	(94)		(924)	
Total operating transfers	353,171	37,465	390,636	
Net income (loss)	(66,381)	9,544	(56,837)	
Net assets, beginning of year	1,822,984	92,739	1,915,723	
Net assets, end of year	\$ 1,756,603	\$ 102,283	\$ 1,858,886	

#### PROPRIETARY FUNDS – INTERNAL SERVICE FUNDS

## COMBINING STATEMENT OF CASH FLOWS

	Motor Pool Equipment Fund	Computer Equipment Replacement Fund	Total Internal Service Funds
Cash flows from operating activities:			
Cash payments to employees	\$ 7,706	\$ 872	\$ 8,578
Cash received for interfund services	124,117	-	124,117
Cash payments to employees	(42,501)	-	(42,501)
Cash paments to suppliers for goods and services	(394,123)		(420,572)
Net cash provided (used) by operating activities	(304,801)	(25,577)	(330,378)
Cash flows from non-capital financing activities:			
Operating transfers in	354,095	37,465	391,560
Operating transfers out	(924)	· · · · · · · · · · · · · · · · · · ·	(924)
Net cash provided (used) by non-capital			
financing activities	353,171	37,465	390,636
Cash flows from capital and related financing activities: Proceeds from sale of assets	12,550	_	12,550
Acquisition and construction of capital assets	(91,744)	(25,125)	(116,869)
Net cash provided (used) by capital and related financing activities	(79,194)	(25,125)	(104,319)
Cash flows from investing activities: Interest received	33,155	690	33,845
Net cash provided (used) by investing activities	33,155	690	33,845
Net increase (decrease) in cash and cash equivalents	2,331	(12,547)	(10,216)
Cash, cash equivalents, and investments, beginning of year	560,327	92,739	653,066
Cash, cash equivalents, and investments, end of year	\$ 562,658	\$ 80,192	\$ 642,850
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (463,696)	\$ (28,611)	\$ (492,307)
Adjustments:			
Depreciation	292,568	2,153	294,721
Change in assets and liabilities:	<b>/=</b> 000		<b>(=</b> 000)
Accounts receivable	(7,889)	-	(7,889)
Notes receivable	2,431	-	2,431
Accrued interest receivable	- 5 010	(65)	
Prepaid expenses	5,210	- 046	5,210
Accounts payable	(132,984)	946	(132,038)
Accrued expenses Compensated absences payable	233 (674)	- ) -	233 (674)
Net cash provided (used) by operating activities	\$ (304,801)		-

#### FIDUCIARY FUNDS

## COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

	October 1, 2004	Additions	Deductions	September 30, 2005
County, School, and Library Tax Fund	-			
Assets:				
Cash and cash equivalents	\$ 65,645	\$ 3,165,641	\$ 3,155,591	\$ 75,695
Liabilities:				
Due to other governmental units	\$ 65,645	\$ 3,165,641	\$ 3,155,591	\$ 75,695
Payroll Fund	-			
Assets:	¢ 04	\$ 2,006,021	¢ 2.095.071	¢ 6120
Cash and cash equivalents	\$ 94	\$ 2,996,021	\$ 2,985,971	\$ 6,139
Liabilities: Accrued expenses	\$ 94	\$ 2,996,021	\$ 2,985,971	\$ 6,139
Accided expenses	<del>ψ                                    </del>	Ψ 2,770,021	ψ 2,703,771	ψ 0,13 <i>7</i>
Fire Insurance Escrow Fund	-			
Assets:				
Cash and cash equivalents	\$ 272	\$ 13,568	\$ 8,060	\$ 5,780
Liabilities:				
Accounts payable	\$ 272	\$ 13,568	\$ 8,060	\$ 5,780
Total Agency Funds	-			
Assets:				
Cash and cash equivalents	\$ 66,011	\$ 6,175,230	\$ 6,149,622	\$ 87,614
Liabilities:				
Accounts payable and accrued expenses  Due to other governmental units	\$ 366 65,645	\$ 3,009,589 3,165,641	\$ 2,994,031 3,155,591	\$ 11,919 75,695
-				
Total liabilities	\$ 66,011	\$ 6,175,230	\$ 6,149,622	\$ 87,614

#### SCHEDULE OF DEBT

September 30, 2005

#### 1997 GENERAL OBLIGATION LIMITED TAX BUILDING AUTHORITY BONDS

Issue Dated February 1, 1997 in the amount of \$1,600,000

Less: Principal paid in prior years (380,000)

Principal paid in current year (65,000)

Balance payable at September 30, 2005 \$ 1,155,000

Balance payable as follows:

Fiscal <u>Year Ended</u>	Rate	<u>I</u>	nterest	<u>P</u>	rincipal	<u>Total</u>
2006	4.70%	\$	57,995	\$	70,000	\$ 127,995
2007	4.80%		54,550		75,000	129,550
2008	4.90%		50,913		75,000	125,913
2009	5.00%		47,075		80,000	127,075
2010	5.05%		42,929		85,000	127,929
2011	5.15%		38,465		90,000	128,465
2012	5.20%		33,678		95,000	128,678
2013	5.25%		28,451		105,000	133,451
2014	5.30%		22,780		110,000	132,780
2015	5.30%		16,817		115,000	131,817
2016	5.40%		10,395		125,000	135,395
2017	5.40%		3,509		130,000	 133,509
		\$	407,557	\$	1,155,000	\$ 1,562,557

Interest on the above bond is payable semi-annually at the indicated rate on August 1 and February 1.

## **SCHEDULE OF DEBT**

September 30, 2005

#### INSTALLMENT PURCHASE NOTE PAYABLE - LAND PURCHASE

Contract dated March 23, 2000 in the amount of \$500,000

Less: Principal paid in prior years (101,501)
Principal paid in current year (27,002)

Balance payable at September 30, 2005 \$371,497

Balance payable as follows:

Fiscal <u>Year Ended</u>	<u>Rate</u>	<u>Interest</u> <u>Principal</u>		<u>Total</u>		
2006	7.00%	\$	26,005	\$ 28,892	\$	54,897
2007	7.00%		23,982	30,915		54,897
2008	7.00%		21,818	33,079		54,897
2009	7.00%		19,503	35,394		54,897
2010	7.00%		17,025	37,872		54,897
2011	7.00%		14,374	40,523		54,897
2012	7.00%		11,537	43,360		54,897
2013	7.00%		8,502	46,395		54,897
2014	7.00%		5,255	49,642		54,897
2015	7.00%		1,780	 25,425		27,205
		\$	149,781	\$ 371,497	\$	521,278

Interest and principal is paid annually on December 1.

## **SCHEDULE OF DEBT**

September 30, 2005

#### PROMISSORY NOTE PAYABLE - LAND CONTRACT

Contract dated December 14, 2001 in the amount of \$800,000

Less: Principal paid in prior years

Principal paid in current year (7,776)

Balance payable at September 30, 2005 \$ 792,224

Balance payable as follows:

Fiscal	D-4-	-		Data da al	TF-4-1
Year Ended	<u>Rate</u>	1	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2006	8.00%	\$	62,976	\$ 11,118	\$ 74,094
2007	8.00%		62,053	12,041	74,094
2008	8.00%		61,054	13,040	74,094
2009	8.00%		59,972	14,123	74,095
2010	8.00%		58,799	15,295	74,094
2011	8.00%		57,530	16,564	74,094
2012	8.00%		56,155	17,939	74,094
2013	8.00%		54,666	19,428	74,094
2014	8.00%		53,054	21,041	74,095
2015	8.00%		51,307	22,787	74,094
2016	8.00%		49,416	24,678	74,094
2017	8.00%		47,368	26,727	74,095
2018	8.00%		45,149	28,945	74,094
2019	8.00%		42,747	31,348	74,095
2020	8.00%		40,145	33,949	74,094
2021	8.00%		37,327	36,767	74,094
2022	8.00%		34,276	39,819	74,095
2023	8.00%		30,971	43,124	74,095
2024	8.00%		27,391	46,703	74,094
2025	8.00%		23,515	50,579	74,094
2026	8.00%		19,317	54,777	74,094
2027	8.00%		14,771	59,324	74,095
2028	8.00%		9,847	64,248	74,095
2029	8.00%		4,514	69,580	74,094
2030	8.00%		244	18,280	 18,524
		\$	1,004,564	\$ 792,224	\$ 1,796,788

Interest and principal is paid monthly.

## **SCHEDULE OF DEBT**

September 30, 2005

#### PROMISSORY NOTE PAYABLE - LAND CONTRACT

Contract dated December 24, 2	2001 in the amount of	\$ 50,000
Less:	Principal paid in prior years Principal paid in current year	 (33,334) (16,666)
Balance payable at September	30, 2005	\$ <u>-</u>

Balance payable as follows:

Year Ended	<u>Rate</u>	<u>In</u> t	<u>terest</u>	<u>Pri</u>	ncipal	<u>T</u>	<u>'otal</u>
2006		\$	-	\$		\$	
		\$	-	\$		\$	

Interest and principal is paid annually.

## **SCHEDULE OF DEBT**

September 30, 2005

#### 2001 MICHIGAN STRATEGIC LOAN

Grant dated October 19, 2000	in the amount of	\$	400,000
Add:	Interest accrued thru 11/1/03		48,000
Less:	Principal paid in prior years Principal paid in current year		(26,345) (27,962)
Balance payable at September	30, 2005	<u>\$</u>	393,693

#### Balance payable as follows:

Fiscal <u>Year Ended</u>	<u>Rate</u>	<u>I</u>	nterest	<u>P</u>	rincipal		<u>Total</u>
2006	6.00%	\$	22,962	\$	29,678	\$	52,640
2007	6.00%		21,141		31,499		52,640
2008	6.00%		19,208		33,432		52,640
2009	6.00%		17,157		35,483		52,640
2010	6.00%		14,979		37,661		52,640
2011	6.00%		12,668		39,972		52,640
2012	6.00%		10,215		42,425		52,640
2013	6.00%		7,612		45,028		52,640
2014	6.00%		4,849		47,791		52,640
2015	6.00%		1,916		50,724	_	52,640
		\$	132,707	\$	393,693	\$	526,400

Interest and principal is paid quarterly on November 1, February 1, May 1, and August 1.

#### BUSINESS-TYPE ACTIVITIES – ENTERPRISE FUNDS

#### **SCHEDULE OF DEBT**

September 30, 2005

#### 2000 WATER and SEWER REVENUE BONDS

Issue dated June 1, 2000 in the amount of \$1,955,000

Less: Principal paid in prior years 170,000
Principal paid in current year 65,000

Balance payable at September 30, 2005 \$1,720,000

Balance payable as follows:

Fiscal					
Year Ended	<u>Rate</u>	<u>I</u>	<u>nterest</u>	<u>Principal</u>	<b>Total</b>
2006	4.85%	\$	89,561	\$ 65,000	\$ 154,561
2007	4.85%		86,288	70,000	156,288
2008	4.90%		82,753	75,000	157,753
2009	4.95%		78,935	80,000	158,935
2010	5.00%		74,830	85,000	159,830
2011	5.00%		70,455	90,000	160,455
2012	5.10%		65,783	95,000	160,783
2013	5.20%		60,760	100,000	160,760
2014	5.30%		55,378	105,000	160,378
2015	5.35%		49,653	110,000	159,653
2016	5.40%		43,470	120,000	163,470
2017	5.40%		36,855	125,000	161,855
2018	5.50%		29,768	135,000	164,768
2019	5.50%		22,068	145,000	167,068
2020	5.65%		13,701	155,000	168,701
2021	5.65%		4,661	165,000	169,661
		\$	864,919	\$ 1,720,000	\$ 2,584,919

Interest on the above item is payable semi-annually at the indicated rate on December 1 and June 1.

The 2000 Water and Sewer Revenue Bonds are allocated to the Enterprise Funds as follows:

Sewer Fund	66.6513%	\$ 1,146,402
Water Fund	33.3487%	 573,598
		\$ 1,720,000

#### **COMPONENT UNITS**

## **SCHEDULE OF DEBT**

September 30, 2005

#### 1994 DOWNTOWN DEVELOPMENT AUTHORITY GENERAL OBLIGATION BONDS

Issue dated July 1, 1	994 in the amount of	\$	620,000
Less:	Principal paid in prior years Principal paid in current year	_	295,000 (45,000)
Balance payable at S	september 30, 2005	\$	280,000

Balance payable as follows:

Fiscal	D 4	<b>.</b>					7D 4 1
Year Ended	<u>Rate</u>	1	<u>nterest</u>	<u> </u>	<u>Principal</u>		<u>Total</u>
2006	5.65%	\$	14,975	\$	50,000	\$	64,975
2007	5.75%		12,125		50,000		62,125
2008	5.85%		9,079		55,000		64,079
2009	5.95%		5,685		60,000		65,685
2010	6.00%		1,950		65,000	_	66,950
		\$	43,814	\$	280,000	\$	323,814

#### **COMPONENT UNITS**

## **SCHEDULE OF DEBT**

September 30, 2005

#### 1997 LIMITED TAX GENERAL OBLIGATION DOWNTOWN DEVELOPMENT BONDS

Issue dated April 1, 1997 in th	e amount of	\$ 510,000
Less:	Principal paid in prior years Principal paid in current year	 (225,000) (40,000)
Balance payable at September	30, 2005	\$ 245,000

Balance payable as follows:

Fiscal <u>Year Ended</u>	<u>Rate</u>	<u>I</u> 1	<u>nterest</u>	<u>P</u>	<u> rincipal</u>	<u>Total</u>
2006	5.40%	\$	13,745	\$	45,000	\$ 58,745
2007	5.50%		11,315		45,000	56,315
2008	5.60%		8,840		50,000	58,840
2009	5.70%		6,040		50,000	56,040
2010	5.80%		3,190		55,000	 58,190
		\$	43,130	\$	245,000	\$ 288,130

Interest on the above bond is payable semi-annually at the indicated rate on November 1 and May 1.

## SCHEDULE OF OPERATING REVENUES

Year Ended September 30, 2005

Operating revenues	
Demand response - fares	\$ 15,834
Other nontransportation revenues	 763

Total operating revenues \$\\ 16,597\$

## SCHEDULE OF OPERATING EXPENSES

	Ор	erations	Maintenance	e Adı	General ministration		Total System
Labor:							
Operators' salaries	\$	35,890	\$ -	\$	-	\$	35,890
Other salaries		-	5,662		19,762		25,424
Dispatcher		23,624	-		-		23,624
Fringe benefits:							
Other		39,827	423		1,390		41,640
Pension		4,105	-		1,368		5,473
Services:							
Advertising		-	-		56		56
Audit		-	-		1,800		1,800
City administration		-	10,167		-		10,167
Other services		-	3,557		-		3,557
Materials and supplies consumed:							
Fuels and lubricants		12,578	_		_		12,578
Tires and tubes		1,984	_		_		1,984
Other materials and supplies		215	3,596		-		3,811
Utilities:							
Telephone		1,260	-		-		1,260
Insurance:							
Casualty and liability insurance		4,050	-		450		4,500
Rental:							
Building/office		1,700	-		7,000		8,700
Depreciation		21,155	-		-		21,155
Miscellaneous expenses:							
Travel		-	-		160		160
Other		766	620	_	128	_	1,514
Total operating expenses	\$	147,154	\$ 24,025	\$	32,114	\$	203,293

## SCHEDULE OF NON-OPERATING REVENUES

Local Revenues:	
City of Dowagiac - property taxes	\$ 43,547
	43,547
State of Michigan Operating Grant:	
Formula operating assistance	66,741
Fiscal year 2003 reconciliation adjustment	(3,723)
	63,018
Federal Operating Grant:	
Federal Section 5311 - operating assistance	19,574
Fiscal year 2002-2003 adjustment	289
Fiscal year 2003-2004 adjustment	241
	20,104
Interest Income	10,064
	10,064
	10,004
Total non-operating revenues	\$ 136,733
Town non operating to tended	φ 130,733

## SCHEDULE OF NET ELIGIBLE COSTS COMPUTATION OF GENERAL OPERATIONS

		Federal Section 5311	State perating ssistance
Expenses:			
Labor	\$	84,938	\$ 84,938
Fringe benefits		47,113	47,113
Services		15,580	15,580
Materials and supplies consumed		18,373	18,373
Telephone		1,260	1,260
Casualty and liability insurance		4,500	4,500
Building and office rental		8,700	8,700
Depreciation		21,155	21,155
Miscellaneous expenses		1,674	 1,674
Total expenses		203,293	203,293
Less - ineligible expenses:  Depreciation on assets purchased with federal and/or state funds  Audit		(20,179) (1,800)	(20,179)
Net eligible expenses	\$	181,314	\$ 183,114
Net deficit - Section 5311	\$	181,314	
Eligible Section 5311 reimbursement (12.40%)	<u>\$</u>	22,483	
Eligible for state operating assistance:  Maximum state operating assistance:  Lesser of 38.437574823% of expenses eligible for state operating assistance or the City's prorated share of available funds.			
38.437574823% of eligible expenses			\$ 70,385
But at least a minimum of its 1997 floor of			\$ 55,299

## SCHEDULE OF DETAIL OF INELIGIBLE EXPENSES

	mount eligible
Audit	\$ 1,800
Depreciation associated with an asset purchased with federal and/or state funds is not eligible:	
Computer	408
Buses	 19,771
Total ineligible expenses	\$ 21,979

## SCHEDULE OF MILEAGE, VEHICLE HOURS, AND PASSENGER DATA

Year Ended September 30, 2005

As required by the Michigan Department of Transportation, schedules of mileage, vehicle hours, and number of passengers transported for the year ended September 30, 2005 are as follows:

#### **MILEAGE**

	Vehicle Miles
Demand - Response	
1st quarter	11,283
2nd quarter	11,948
3rd quarter	11,583
4th quarter	11,387
Total mileage	46,201

#### **VEHICLE HOURS AND PASSENGERS:**

	Vehicle Hours	Regular Passengers	Senior Passengers	Handicapped Passengers	Senior Handicapped Passengers
Demand - Response					
1st quarter	1,096	4,817	1,565	395	644
2nd quarter	1,117	5,594	1,360	317	723
3rd quarter	1,152	4,283	1,764	373	897
4th quarter	1,152	3,452	1,732	368	984
	4,517	18,146	6,421	1,453	3,248

The methodology used for compiling mileage has been reviewed and found to be an adequate and reliable method for recording vehicle mileage.

The City is not using derivative instruments in any of its funds or pension portfolios.



60 Harrow Lane Saginaw, Michigan 48638

(989) 791-1555 Fax (989) 791-1992

# REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and the Members of City Council City of Dowagiac, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Dowagiac, Michigan, as of and for the year ended September 30, 2005, which collectively comprise the City of Dowagiac, Michigan's basic financial statements and have issued our report thereon dated November 2, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Dowagiac, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Dowagiac, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management and City Council and is not intended to be and should not be used by anyone other than these specified parties.

Berthiaume & Company Certified Public Accountants

enhanne & Co.

November 2, 2005



60 Harrow Lane Saginaw, Michigan 48638

(989) 791-1555 Fax (989) 791-1992

#### MANAGEMENT LETTER

To the Honorable Mayor and the Members of City Council City of Dowagiac, Michigan

We have completed our audit of the financial statements of the City of Dowagiac for the year ended September 30, 2005, and have issued our report thereon dated November 2, 2005. As part of our examination, we made a study and evaluation of the City's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the City's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The City's administration is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by the administration are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide the administration with reasonable, but not absolute assurance that assets are safeguarded against unauthorized use or disposition and that transactions are executed in accordance with the administration's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may, nevertheless, occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the City of Dowagiac taken as a whole. Our study and evaluation disclosed no conditions that we believe to be material weaknesses.

This report is intended solely for the use of the City management and should not be used for any other purpose.

We wish to extend our appreciation to you and your staff for the assistance accorded us during our examination.

Sincerely,

Berthiaume & Company Certified Public Accountants

Berchraim & Co.

November 2, 2005